



10. Trade

Candidates should be able to:

Major exports and imports

- name the main exports and imports
- describe the changes in the types/amounts/value of goods exported and imported in recent years
- know and understand the meaning of GNP and GDP and the difference between them
- explain the effect of changing trends in exports and imports on Pakistan's balance of trade and economy.

Pakistan's trading partners

- name and locate Pakistan's main trading partners, and name the goods Pakistan exported to them or imported from them
- understand the factors which may promote or hinder trade with other countries, and explain why it is difficult for Pakistan as a developing country to maintain or increase its share of trade with other countries
- understand the factors that may promote and limit trade, including trading blocs, trade barriers and currency exchange rates.



TRADE

- ✓ Trade is the exchange of capital, goods, and services across international borders.
- ✓ It has two types; domestic and international.
- ✓ International trade contributes significantly to gross domestic product (GDP) of many countries
- ✓ International trade takes place between two different countries as opposed to domestic trade (which takes place inside the country).
- ✓ In international trade there are different currencies, weight systems, type of transport used and higher quantity of goods are traded to achieve economies of scale, as opposed to domestic trade

IMPORTANCE OF TRADE

- ✓ Specialization of production.
- ✓ Promotes industrialization.
- ✓ May lead to rise in GNP (Gross National Product).
- ✓ Production of value-added goods.
- ✓ Transfer of Information Technology.
- ✓ Utilization of domestic resources / raw material.
- ✓ Employment opportunities.
- ✓ Earn Foreign exchange.
- ✓ Increase National Income.

REASONS FOR INCREASE IN WORLD TRADE

- ✓ Industrialization has increased meaning that now a surplus of goods is produced, which is exported after fulfilling the local demand.
- ✓ Increased communication facilities mean that people in different countries can come into contact with each other, thus linking the producer with the consumer
- ✓ Better transport facilities mean that perishable items can be stored for longer and then delivered quickly by air over long distances. Thus even far away producers and consumers are able to trade
- ✓ World Trade Organization has been set up. Its function is to open up trade between different countries by limiting or reducing barriers of trade. It also supervises international trade so that it is fair for all



- ✓ International Monetary Fund IMF and other such organizations like the World Bank, help in loans etc which prevent a country from running out of cash over short periods, although these must be repaid
- ✓ Trading blocs have been setup like SAARC (South Asian Association for Regional Cooperation), which are intergovernmental agreements in which regional barriers of trade are reduced or eliminated

IMPORT

- ✓ Imports are goods and services which one country buys from another, so foreign exchange leaves the country.

MAIN IMPORTS

- ✓ Pakistan is importing from more than hundred countries, but 40 % of the imports come from six / seven countries like, Saudi Arabia, Kuwait, United States of America, Japan, Malaysia, Germany, UK, China and EU.

TRADING PARTNER	IMPORT
UK	Machinery, Electrical appliances
Eastern Europe	Machinery, Electrical appliances
USA	Machinery, Vegetable Oil and Wheat
Middle East Countries	Mineral Oil
Malaysia	Edible Oil
Japan	Machinery, Electrical appliances
Srilanka	Tea
China	Machinery, Electrical appliances, Stationary

METHODS TO REDUCE IMPORTS

- ✓ Increase the standard and quality of goods.
- ✓ Imposed heavy taxes on the imported goods.
- ✓ Apply quota system.
- ✓ Stop the import of tertiary sector.
- ✓ Reduce taxes on Pakistani goods.
- ✓ Stop the import of luxury items.
- ✓ Use local raw material instead of imported.



MAIN ITEMS IMPORTED BY PAKISTAN	2003	2004	2005
Machinery and transport equipments	\$4,210,987,000	\$4,851,710,000	\$7,385,403,000
Chemicals and related products	\$2,790,406,000	\$3,330,996,000	\$4,090,742,000
Mineral fuels	\$3,319,013,000	\$3,903,106,000	\$5,299,088,000
Inedible Crude Materials[- except fuels	\$1,382,605,000	\$1,560,549,000	\$1,886,312,000
Coal and Coke	\$147,095,000	\$190,971,000	\$268,950,000
Petrol and related products	\$3,157,810,000	\$3,691,559,000	\$5,011,579,000
Iron and Steel	\$510,653,000	\$645,314,000	\$1,215,991,000
Machinery specialized for particular industry	\$961,512,000	\$961,512,000	\$1,720,608,000
Telecommunication and sound related equipments	\$478,765,000	\$574,916,000	\$1,793,132,000
Road Vehicles	\$650,787,000	\$743,493,000	\$1,397,934,000

EXPORT

- ✓ Exports are goods and services which one country sells to another thus earning foreign exchange.

MAIN EXPORTS

- ✓ Pakistan trades with many countries about 106 but its exports go to six /seven countries.
- ✓ These are United States of America, Germany, Japan, UK, Saudi Arabia China, Hong Kong and EU.

TRADING PARTNER	IMPORT
UK	Raw Cotton
Eastern Europe	Cotton Cloth
USA	Carpets, Rugs, Surgical and Sports Goods
Middle East Countries	Spices, Rice, Ready made garments
Japan	Fish and Fish Products
China	Cotton Yarn



METHODS TO INCREASE EXPORTS

- ✓ Reducing imports specially capital and consumer goods.
- ✓ Maintain the standard and quality of the goods.
- ✓ Export of value-added goods.
- ✓ Establishment of small scale industries.
- ✓ Incentives to the investors.
- ✓ Establishment of EPZ and industrial estates.
- ✓ Establishment of Air ports.
- ✓ Stop the export of raw material.
- ✓ Competitive prices.

MAIN ITEMS EXPORTED BY PAKISTAN	2003	2004	2005
Cereals and cereal preparation	\$687,842,000	\$739,791,000	\$1,213,087,000
Textile yarn, fabric and related products	\$6,030,136,000	\$6,124,587,000	\$7,087,465,000
Clothing accessories	\$2,840,412,000	\$3,025,735,000	\$1,546,040,000
Food and live animals	\$1,177,971,000	\$1,215,865,000	\$1,645,221,000
Baby carriages, toys, games and sporting goods	\$324,298,000	\$315,876,000	\$317,528,000

GROSS DOMESTIC PRODUCT

- ✓ GDP measures the value of goods and services produced within a country's borders, by citizens and non-citizens alike.

GROSS NATIONAL PRODUCT

- ✓ GNP measures the value of goods and services produced by only a country's citizens but both domestically and abroad.

BALANCE OF TRADE

- ✓ Balance of trade is the difference between visible imports and visible exports.



BALANCE OF PAYMENT

- ✓ Balance of payments is the difference between (visible and invisible imports) and (visible and invisible exports).
- ✓ Here invisible imports/exports are services like professional Pakistanis who work in the Middle East.

NEGATIVE BALANCE OF TRADE/PAYMENT

- ✓ The value of imports exceeds that of its exports.

Causes

- ✓ Import of capital goods.
- ✓ Import of consumer goods.
- ✓ Import of mineral oil.
- ✓ Import of food items.
- ✓ Import of raw material for steel industry.
- ✓ Less exports due to poor standard and quality.

Effects

- ✓ Developmental projects have to be curtailed.
- ✓ Reliance on foreign assistance increases.
- ✓ The imbalance of trade has to be filled by taking loans, which increases debt.
- ✓ In case of non-payment of loans, an economic or trade embargo may be imposed.
- ✓ In order to repay the loans, the assets of the country may have to be sold to foreign companies.
- ✓ Higher taxes imposed, which limits the purchasing power of the consumer, resulting in lower demand and less production.
- ✓ Business and commercial activities slows down.

Effects on economy

- ✓ A negative balance of payments means that Pakistan needs to urgently raise money to pay for its excess imports.
- ✓ This means that big loans must be taken out from IMF and World Bank.



- ✓ Since these loans come with high interest rates, the government needs to raise taxes to pay them back.
- ✓ This means that prices of goods increase in the local market.
- ✓ People's real income decrease as they are able to buy fewer goods.
- ✓ This results in low demand for locally produced goods, which lowers profits for industries and results in loss.
- ✓ Workers need to be laid off to reduce costs.
- ✓ This increases unemployment and increases social disorder thus hampering foreign investment
- ✓ People are unwilling to invest and move their businesses out of the country, which means that no modernization of influx of new ideas occurs.
- ✓ Production is lowered and cost of production increases, this makes locally produced goods uncompetitive in foreign markets leading to slump in exports and ultimately default on loan payments.
- ✓ This means that you can have your country's foreign assets and funds frozen and an embargo placed on your goods in international markets
- ✓ Furthermore, money is diverted from projects which aim to improve healthcare, education etc.
- ✓ The living standards of people fall and there is general discontent within the general population

Solution

- ✓ Increase exports specially value-added.
- ✓ Reduce import specially consumer goods.
- ✓ Stop the import of service industry.
- ✓ Improve the standard and quality of goods.
- ✓ Ban the export of raw material (raw cotton).
- ✓ Increase the export of manufactured goods related to cotton textile industry.
- ✓ Searching new International markets for export.
- ✓ Heavy taxes imposed on imported material.
- ✓ Ban the import of luxury items.
- ✓ Trade barriers.

TRADE BARRIERS

- ✓ Trade barriers exist when the Government imposes a set of restrictions that make it difficult for countries to trade their goods and services effectively and easily.
- ✓ The trade barriers may exist in the form of tariffs (taxes on imports), trade embargoes (a ban on certain imported products) and quotas (these impose restrictions on the physical quantity of goods imported) etc.
- ✓ Such measures are designed to restrict the inflow of imports into the country.
- ✓ An inflow of cheap imported goods (e.g. from China) threatens domestic industries.
- ✓ It often results in high levels of unemployment when uncompetitive domestic industries are forced to shut down.
- ✓ Therefore, in order to protect domestic industry, the government may impose trade barriers e.g. on Chinese goods.

Tariffs

- ✓ Taxes on imports

Embargoes

- ✓ A ban on certain imported products

Quotas

- ✓ Impose restrictions on the physical quantity of goods imported

Advantages

- ✓ Give rise to greater self-sufficiency.
- ✓ Reduce foreign dependency.
- ✓ Protect local industries.
- ✓ Create employment opportunities.
- ✓ Exploitation of local resources.



Disadvantages

- ✓ Corruption may rise.
- ✓ Poor quality and standard due to less competition at International level.
- ✓ No control on prices.
- ✓ May lead to monopoly.
- ✓ Limited good variety.

TRADING BLOCS

- ✓ Trading blocs refers to regional groupings of international economies to allow for greater economic cooperation and facilitation of free trade.
- ✓ Trading blocs involve lower or zero trade restrictions between members and strong trade barriers against non-members.
- ✓ Pakistan is a member of the following organizations:

SAARC (South Asian Association for Regional Cooperation)

- ✓ SAARC was founded in Dhaka in 1985.
- ✓ Its secretariat is in Kathmandu.
- ✓ The organization promotes development economics and regional integration.
- ✓ Its member states include Afghanistan, Bangladesh, Bhutan, India, Nepal, Maldives, Pakistan and Sri Lanka.

ECO (Economic Cooperation Organization)

- ✓ It was founded in 1985 in Tehran by the leaders of Iran, Pakistan and Turkey.
- ✓ It provides a platform to discuss ways to improve development and promote trade and investment opportunities.
- ✓ The main objective is to establish a single market for goods and services.

ASEAN (Association of South East Asian Nations)

- ✓ It was founded on 8 August 1967.
- ✓ Southeast Asia is composed of ten countries of impressive diversity in religion, culture and history.



- ✓ Brunei, (Myanmar), Cambodia, East Timor, Indonesia, Laos, Malaysia, the Philippines, Singapore, Thailand, and Vietnam.
- ✓ Its main aim is to accelerate economic growth, social progress and cultural development among its members and to promote regional peace.

Pakistan and European Union

- ✓ The European Union (EU) is an economic and political group and a trading bloc of 27 member states that are located primarily in Europe.
- ✓ The European Union was formally established in 1993 to enhance political, economic and social cooperation within member states.
- ✓ The EU has evolved as a single market that allows the free circulation of goods, capital, people and services within the EU.
- ✓ Inside the EU goods and services are not subject to custom duties and import quotas.
- ✓ However such restriction do exist when EU countries trade outside the European Union.
- ✓ The EU countries are: Austria, Belgium, Bulgaria, Croatia, Republic of Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherland, Poland, Portugal, Romania, Slovakia, Slovenia, Spain and Sweden.
- ✓ Pakistan exports mainly textiles, medical equipments and leather products to partners in the EU and imports mainly mechanical and electrical equipments, chemical and pharmaceutical products from these countries.

TDAP

- ✓ The Trade Development Authority of Pakistan (TDAP), is a department within the Ministry of Commerce and Textile Industry of the Government of Pakistan.
- ✓ It facilitates and promotes international trade of Pakistan.

PROBLEMS OF TRADE FOR PAKISTAN

- ✓ Dependence of major exports on a few commodities. Most of Pakistan's exports are agro-based and when yields are low due to floods etc (or attacks by leaf curl virus on cotton crop); exports plummet. Exports therefore need to be diversified so as to ensure consistent value of exports per annum



- ✓ Power cuts are back breaking to industries as they halt production, thus orders can't be fulfilled leading to loss of market share in other countries. Foreign customers as well as local customers are lost
- ✓ Less people willing to invest in Pakistan due to economic and social instability which means that there is no influx of technology or foreign reserves in the country
- ✓ Devaluation of the currency makes importing of machines etc difficult. This hampers further the modernization of industry
- ✓ The problem of child labour has led to decrease in orders from Europe and USA for sports goods and surgical instruments
- ✓ Import tariffs by EU countries on Pakistani textiles to protect their own cotton industry means that Pakistani cotton is expensive to buy there. Exports are not very profitable thus exports have decreased
- ✓ Remittances haven't increased a lot in the last 2-3 years meaning that it is difficult to find foreign exchange to pay for increased imports
- ✓ Fish related industry is also suffering due to lack of quality control procedures during processing of fish, which means it can't be exported to the West
- ✓ Fruit related industry can't export fruits too far off places due to poor methods of preservation used. Most of the fruit becomes unfit for human consumption and is thus wasted
- ✓ All of this results in a negative balance of trade, thus Pakistan has less money to spend on education, health services or in development of oil/gas fields or industries etc.
- ✓ Taxes are increased and thus goods are expensive, so people buy less and GDP falls

EXCHANGE RATE

- ✓ An exchange rate refers to the price of one currency in terms of another currency, e.g. one US dollar is equal to 106 Rupees.
- ✓ The Exchange Rate is the rate at which one currency can be exchanged for another.
- ✓ Exchange rates are significant in determining the cost of imports and the price of exports.

CURRENCY DEPRECIATION

- ✓ A decrease in the value of a currency.
- ✓ When a currency depreciates, imports become more expensive, while exports become cheaper. Imports should fall, exports should rise and the trade deficit should become smaller.



Effects

- ✓ Imports expensive, exports are cheaper
- ✓ High inflation rate
- ✓ Taxes increased
- ✓ Increase debts
- ✓ Trade deficit
- ✓ Stop ongoing projects due to rising costs
- ✓ Purchasing power of citizens reduced
- ✓ Unfavourable balance of payment
- ✓ Less GDP
- ✓ Unemployment

CURRENCY APRECIATION

- ✓ An increase in the value of a currency
- ✓ When a currency appreciates, imports become cheaper, while exports become more expensive. Imports should rise, exports should fall and the trade deficit become larger.

Effects

- ✓ Exports expensive
- ✓ Imports are cheaper
- ✓ Lower inflation rate
- ✓ Increase of employment and per capita income in a country.
- ✓ Favourable balance of payment
- ✓ Incentive to businessmen from government side.

PRACTICE QUESTIONS

Question 1

J2017/P2/Q3/A,C

(a) Study Fig. 3, which ranks Pakistan's main trading partners for imports and exports in 2013.

Rank	Origin of imports	Rank	Destination of exports
1	UAE	1	USA
2	China	2	China
3	Saudi Arabia	3	Afghanistan
4	Kuwait	4	UAE
5	India	5	Germany
6	Malaysia	6	UK

Fig. 3

(i) Name a country which is a main trading partner for both imports and exports.

.....[1]

(ii) For **either** imports **or** exports suggest reasons why the countries listed are important trading partners for Pakistan.

Choice

.....

[3]

(c) Pakistan usually has a negative balance of trade.

(i) What is meant by the term 'balance of trade'?

.....
[1]

(ii) What are the reasons for having a negative balance of trade?

.....



.....

 [3]

(iii) Suggest **two** effects of a negative balance of trade on the national economy.

1

 2
 [2]

Question 2

N2016/P2/Q2/C-D

(c) (i) Name **two** of Pakistan's main exports.

1
 2 [2]

(ii) Read the following article:

Pakistan produces many goods that could be exported in greater quantities. For a variety of reasons the amount of exports remains low: in 2013 the value of exports was only 13% of GDP.

Explain why it is difficult for Pakistan to sell more of its goods to other countries.

.....

 [4]

- (d) Chemical fertilisers to help increase agricultural production are one of Pakistan's main imports. These imports are expensive. Read the following two views:

A

Pakistan should manufacture more of its own chemical fertilisers to reduce the need for importing them.

B

Pakistan should rely less on chemical fertilisers and reduce the need for importing them by using natural alternatives.

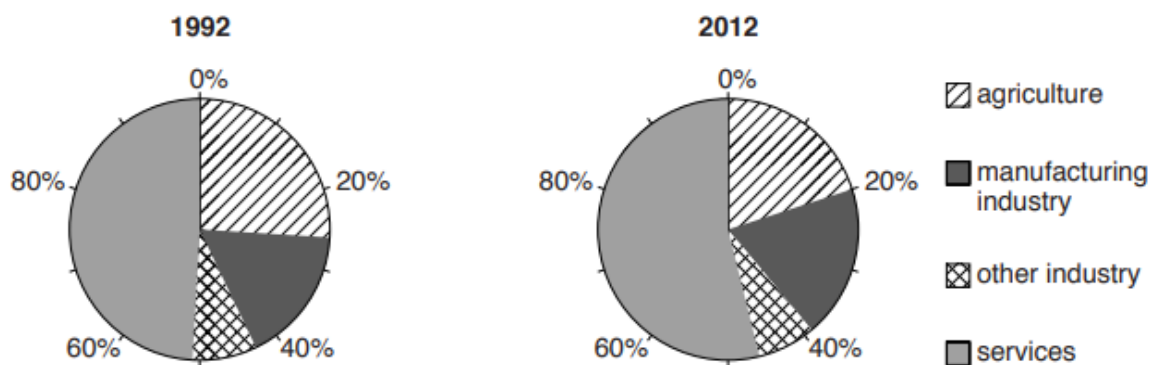
Which view do you agree with more? Give reasons to support your answer and explain why it is important to reduce imports of chemical fertilisers.

[6]

Question 3

N2015/P2/Q4/A-C(i),D

- (a) Study Fig. 7, which gives information for the Gross Domestic Product (GDP) of Pakistan in 1992 and 2012.



(i) What is meant by the term Gross Domestic Product (GDP)?

.....
[1]

(ii) A. What percentage of GDP came from services in 2012?

.....

B. What might be included in the category 'other industry'?

.....

C. State whether the share of GDP from the following has increased, decreased, or stayed the same in the period from 1992 to 2012:

Agriculture

Manufacturing industry[3]

(b) Study Fig. 8, which shows the value of exports and imports in Pakistan in 2011.

Category	Exports (US\$ million)	Imports (US\$ million)
Animals and animal products	560	—
Vegetable products	3940	1460
Edible fats and oils	—	2590
Prepared foodstuffs	560	540
Mineral products	690	6030
Chemicals, incl. fertilisers	370	5050
Leather	680	—
Textiles and textile products	13 490	2870
Metals	960	2290
Machinery and instruments	640	5130
Vehicles and transport	—	2190
Other	1460	3490
TOTAL	23 350	31 640

Fig. 8

(i) Name a textile product exported by Pakistan.

.....[1]

(ii) How much greater is the total value of all imports than the total value of all exports?

.....[1]



(iii) Use Fig. 8 to describe **three** differences between goods Pakistan exports and imports.

.....

.....

.....

.....

.....

.....[3]

(iv) Explain **two** problems for Pakistan's economy caused by the differences you have described in your answer to part (iii).

Problem

.....

.....

.....

Problem

.....

.....

.....[4]

(c) (i) State **one** main trading partner with Pakistan for each of exports and imports.

Exports

Imports[2]

(d) 'There are more factors that hinder trade between Pakistan and other countries than factors that help trade.'

To what extent do you agree with this view? Give reasons and use examples you have studied to support your answer.

.....

.....

.....

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.....

.....

.....

.....

.....[6]

[6]

Question 4

J2015/P2/Q4/D

- (d) There are advantages and disadvantages to Pakistan of trading with different countries or groups of countries.

Read the following two views:

Pakistan would benefit from stronger trade links with China.

There are more advantages to Pakistan in maintaining trade with EU (European Union) countries.

Which view do you agree with more? Give reasons and refer to places or examples you have studied to support your answer.

[6]

[6]

**Question 5****N2011/P2/Q3/E**

- (e) The countries of the European Union have a large demand for goods such as clothes and sports goods. Pakistan can produce these goods cheaply.

Explain the advantages and disadvantages of developing a trade agreement with partners in the EU.

Advantages

.....

.....

.....

.....

Disadvantages

.....

.....

.....

.....[4]

Question 6**N2010/P2/Q5/C**

- (c) (i) From the list below state **two** imports and **two** exports.

COTTON	MACHINERY	WHEAT	IRON ORE	LEATHER
CRICKET BATS	SURGICAL EQUIPMENT	COMPUTERS		

Imports 1 2

Exports 1 2 [2]

- (ii) The European Union (EU) is a major trading partner of Pakistan.

Name **two** countries in this trading community.

1 2 [2]

- (iii) Why it is important that Pakistan trades both imports and exports with the EU?

.....

.....

.....[2]

Question 7

J2010/P2/Q4/A

- (a) Study Fig. 5, which shows the exports of Pakistan in 1997 and 2007 by percentage (each dash on the circumference represents 10%).

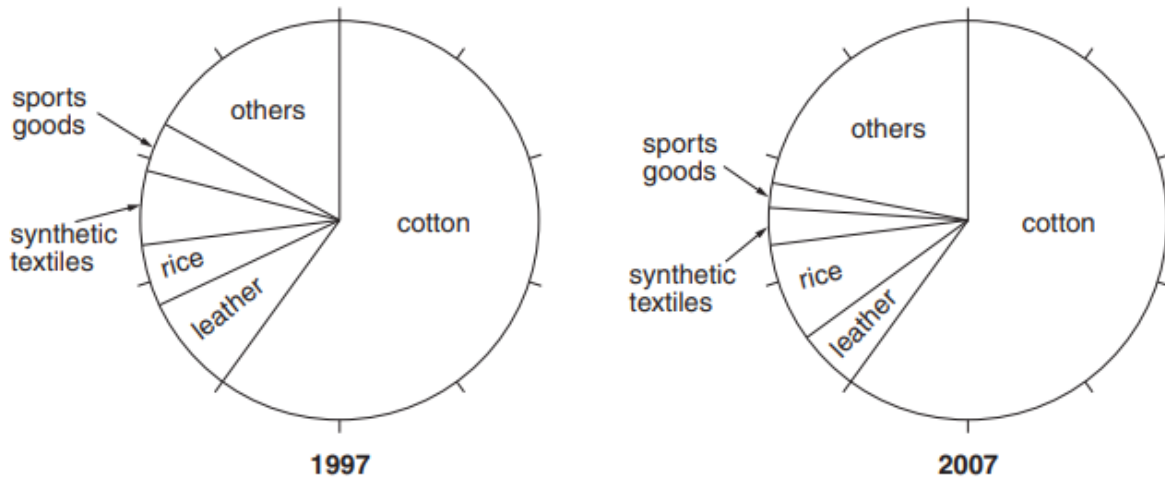


Fig. 5

- (i) In 2007, what percentage of the exports was cotton? [1]
- (ii) Suggest reasons why cotton makes up a large percentage of Pakistan's exports. [3]
- (iii) From Fig. 5, state:
A one export that has increased in percentage,
B two exports that have decreased in percentage. [3]

Question 8

N2008/P2/Q5/B

- (b) Study Fig. 6, a graph showing the value of sports goods exports.

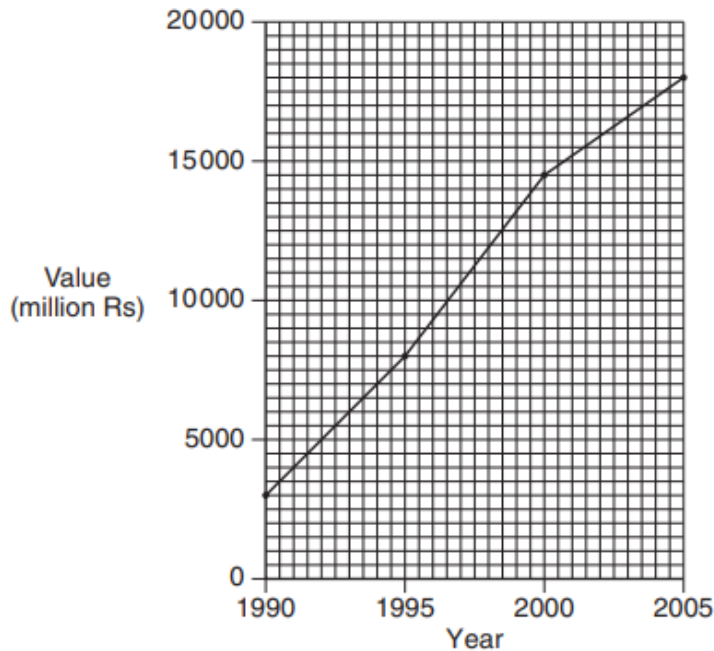


Fig. 6



- (i) What was the value of sports goods exports in 2005? [1]
- (ii) By how much did the value of sports goods exports increase from 1995 to 2005? [1]
- (iii) Why is a large proportion of the production of this industry exported? [4]
- (iv) How can Pakistan maintain and increase its exports of sports goods? [6]

Question 9**N2007/P2/Q4/A**

- (a) Read the extract below and study Photograph C (Insert).

Quetta is an important and busy trading centre. One of its main trades is in textiles and tribal clothes. The centre of the city has seen many modern improvements to its buildings and communications.



- (i) State **three** features that can be seen in Photograph C **and** agree with what is said in the extract. [3]
- (ii) Why is Quetta an important trading centre? [3]

Question 10

J2007/P2/Q5/A-B

(a) Study Fig. 6, which shows the imports and exports of Pakistan.

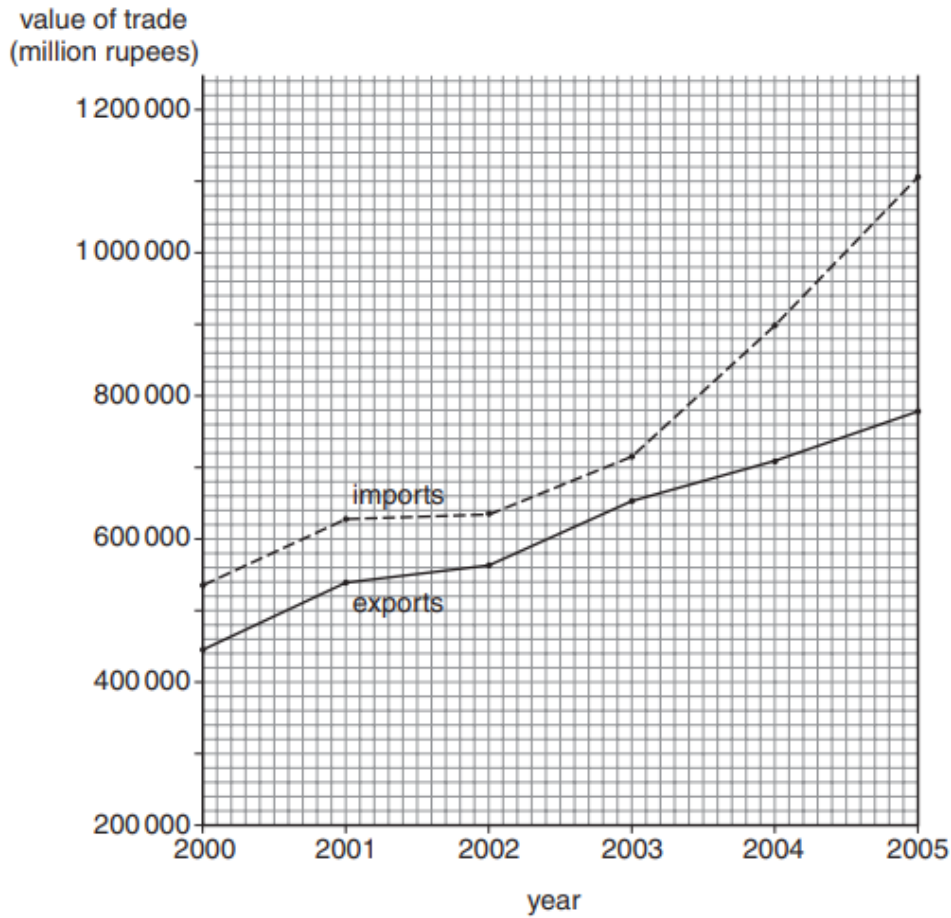


Fig. 6

- (i) State the increase in the value of imports from 2000 to 2005. [1]
- (ii) How has the value of exports changed compared with imports? [2]
- (iii) How will this affect the balance of trade? [1]

(b) Study Fig. 7, which shows the goods exported from Pakistan in 1975 and 2000.

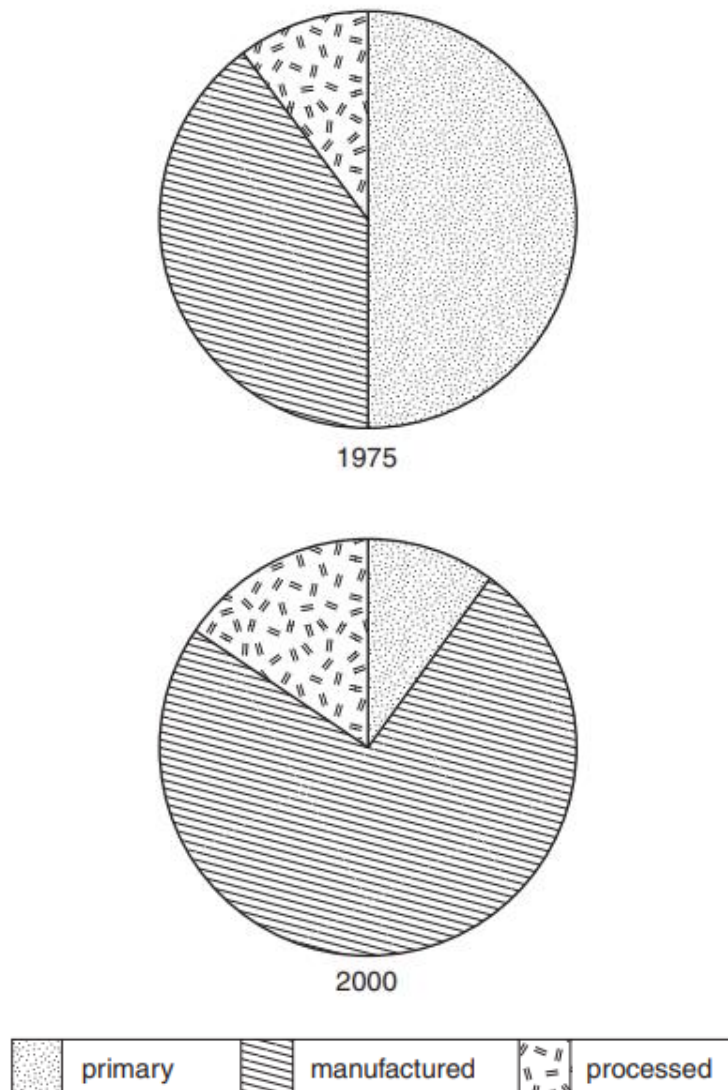


Fig. 7

- How have the proportions of primary and manufactured goods changed from 1975 to 2000? [2]
- How have these changes affected earnings from exports? [2]
- Explain how cotton can be exported as a primary, a processed and a manufactured product. [3]

Question 11

N2005/P2/Q4/A-B

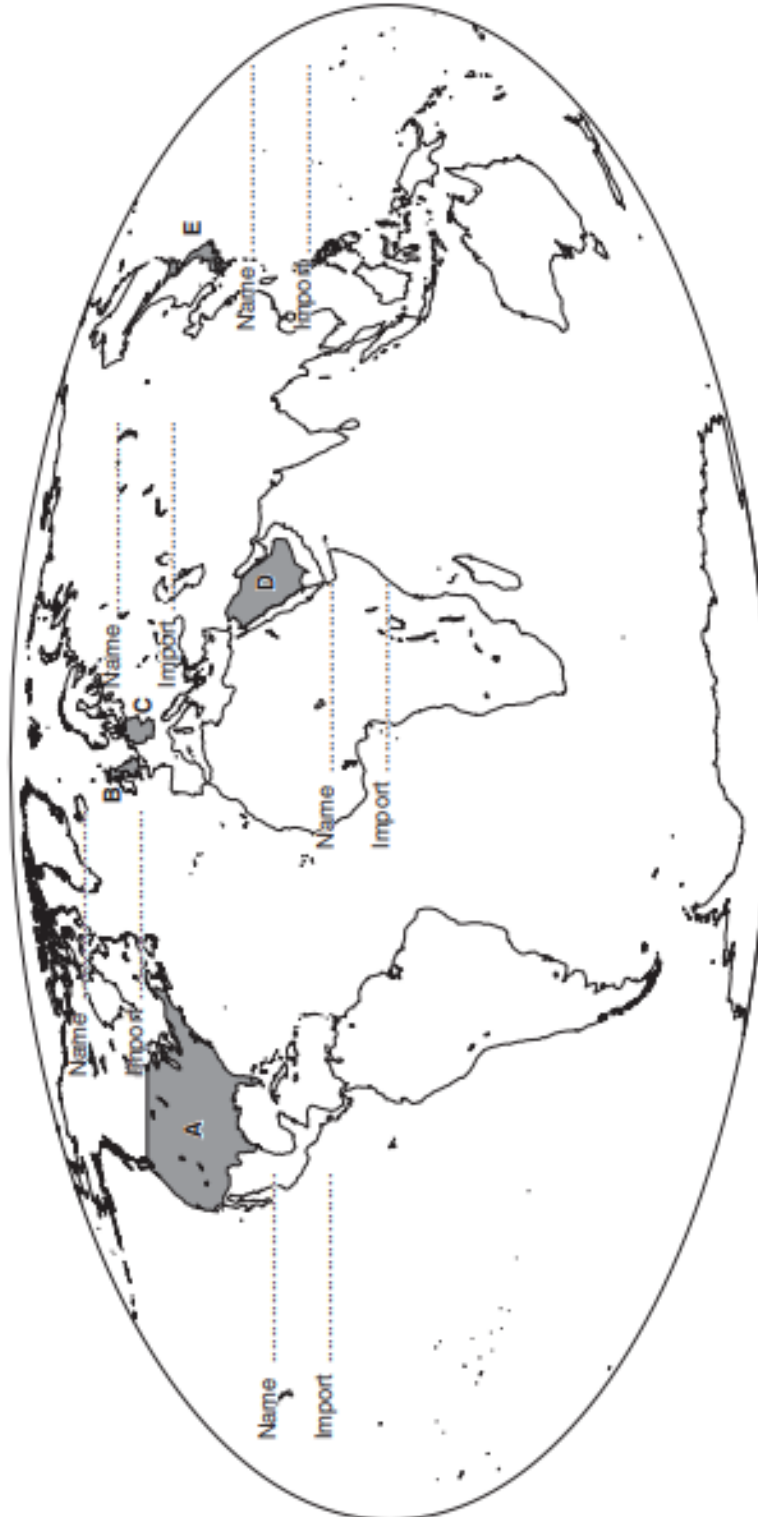
(a) Study the world map, Fig. 6 (Insert 2).

Choose **two** of the countries **A – E**. Using the lines on the map

- name the country,
 - state a product that the country imports from Pakistan. [4]
- Choose **two countries only**.

- (b) (i) How can Pakistan increase foreign exchange earned by trading with a country or trading bloc such as SAARC or the EU? [3]
- (ii) State another way in which Pakistan obtains foreign exchange. [1]
- (iii) Why does Pakistan need to increase its foreign exchange? [3]

Fig. 6 for Question 4





ANSWER KEY

Practice Questions

Question 1

J2017/P2/Q3/A,C

China / UAE

1 @ 1 mark

Imports

- ∞ China/India – regional superpower/strong economy/neighbouring country/has land links;
- ∞ China/India – source of capital/manufactured goods/ technological goods/import machinery;
- ∞ UAE/Kuwait/Saudi Arabia – source of oil;
- ∞ Malaysia – source of palm oil;
- ∞ India – source of primary commodities, e.g. fruit and vegetables.

Exports

- ∞ Any named country – increased sales/markets/market share/enlarge market share;
- ∞ China/Afghanistan – neighbouring countries with land links;
- ∞ Afghanistan – foodstuffs such as rice, sugar;
- ∞ China – to maintain relations/political ties with regional superpower;
- ∞ UAE – nearby country via sea/Arabian Sea/Makran Coast;
- ∞ USA/Germany/UK – developed economies raw materials, e.g. cotton yarn/woven cloth or manufactured goods, e.g. sports goods, linen, suits.

Note: Country must be named plus import or export.**Note:** No additional products or countries allowed.

3 @ 1 mark

The difference between the value of goods imported and exported by a country/the value of imports subtracted from exports/the value of exports minus imports.

1 @ 1 mark

- ∞ Value of goods imported is more than the value of goods exported;
- ∞ Uncompetitive quality/low quality of exports;
- ∞ Unable to fulfil domestic needs of population;
- ∞ Import tariffs/quotas in other countries;
- ∞ Dependency on import of capital goods/machinery/ oil/high value added goods;
- ∞ Dependency on importing/exporting agricultural products/food/named examples;
- ∞ Depreciating own currency/rupee against dollar;
- ∞ Trade embargoes imposed by other countries.

3 @ 1 mark



- ∞ Foreign debt;
- ∞ Dependence on foreign aid;
- ∞ Need to use country's cash reserves/assets/loss of foreign exchange;
- ∞ Development projects cancelled/delayed;
- ∞ Rise in taxation;
- ∞ Strategies to increase exports/high value exports/ Government encourages local industry to export;
- ∞ Country's currency depreciates, so imports become expensive.

2 @ 1 mark

Question 2

N2016/P2/Q2/C-D

(c) (i) Name two of Pakistan's main exports.

[2]

Linen / textiles / clothing / men's suits / bed linen
 Raw cotton / cotton yarn / cotton products
 Carpets / tents / rugs
 Rice
 Refined petroleum / oil
 Cement
 Leather / leather products / named leather product e.g. shoes
 Sports goods
 Surgical instruments
 Chemicals

(ii) Read the following article:

Pakistan produces many goods that could be exported in greater quantities. For a variety of reasons the amount of exports remains low: in 2013 the value of exports was only 13% of GDP.

Explain why it is difficult for Pakistan to sell more of its goods to other countries.

[4]

Challenging to compete with foreign / larger companies / producers (accept an example, e.g. Egypt – textiles)
 Quality of items (lack of access to / high cost of raw materials / machinery)
 Child labour causes barriers to trade (e.g. EU)
 Limited management expertise in the export industry
 Other countries have trade barriers / tariffs / quotas / restrictions (to protect their own industries / markets)
 Relations with some other countries restricts trade
 Pakistan government may have trade barriers with other countries (e.g. China – on cheap imported goods)

Maximum of 2 + 2 (mark + development mark)

(d) Chemical fertilisers to help increase agricultural production are one of Pakistan's main imports. These imports are expensive. Read the following two views:

A

Pakistan should manufacture more of its own chemical fertilisers to reduce the need for importing them.

B

Pakistan should rely less on chemical fertilisers and reduce the need for importing them by using natural alternatives.



Which view do you agree with more? Give reasons to support your answer and explain why it is important to reduce imports of chemical fertilisers. [6]

L3	5–6 marks	6 – <i>Developed points addressing both views and the importance of reducing imports of chemical fertilisers. Evaluation gives clear support to one view</i> 5 – <i>Developed points addressing both views and the importance of reducing imports of chemical fertilisers. No evaluation</i>
L2	3–4 marks	4 – <i>Two developed point(s) addressing any view</i> 3 – <i>Developed point addressing any view</i>
L1	1–2 marks	2 – <i>Two simple point(s) addressing any view</i> 1 – <i>Simple point addressing one view</i> 0 – <i>No valid response</i>

Indicative content (development of points in parentheses)

Chemical fertilisers

Modern factories (e.g. Enven-Engro in Daharki, Sindh) are energy efficient / environmentally compliant

Cow dung is in insufficient amounts / used as a fuel in rural areas

Pakistan has large supplies of natural gas (the main raw material for fertiliser) (at Sui)

Natural alternatives

Fertiliser factories use large amounts of fuel (especially natural gas)

Ample source of manure from large livestock sector

Ample source of compost from agricultural waste

Alternative methods of improving soil quality are possible (crop rotation / nitrogen-fixing plants / beans / legumes / avoiding overcropping / multi-cropping)

Importance

The cost of imports (trade / balance of payments deficit / imports > exports) (fertilisers one of top 5 imports / 2% imports)

Chemical fertilisers cause water pollution (agricultural runoff containing chemicals goes into streams / rivers / causes eutrophication)

Question 3

N2015/P2/Q4/A-C(i),D

(a) Study Fig. 7, which gives information for the Gross Domestic Product (GDP) of Pakistan in 1992 and 2012.

(i) **What is meant by the term Gross Domestic Product (GDP)?** [1]

Annual sum/total value of all output/goods and services produced within a country
Income generated by a country's own workers and resources

(ii) **A. What percentage of GDP came from services in 2012?**

B. What might be included in the category 'other industry'?

C. State whether the share of GDP from the following has increased, decreased, or stayed the same in the period from 1992 to 2012: Agriculture Manufacturing industry [3]

- A. 53–54% 1 mark
 B. Mining/construction/power/fishing/forestry 1 mark *Not list rule*
 C. Agriculture decreased: manufacturing increased Both to be correct for 1 mark

(b) Study Fig. 8, which shows the value of exports and imports in Pakistan in 2011.

(i) Name a textile product exported by Pakistan. [1]
 Garments/bed linen/cotton cloth/cotton yarn/carpets/rugs/suits/towels/fabrics *Use list rule*

(ii) How much greater is the total value of all imports than the total value of all exports? [1]
 8290 US\$

(iii) Use Fig. 8 to describe three differences between goods Pakistan exports and imports. [3]
 Animal products/leather exported but not imported
 Edible fats and oils/vehicles and transport imported but not exported
 Vegetable products/textiles and textile products (much) more exported than imported
 Metals more imported than exported
 Mineral products/ chemicals /machinery and instruments much more imported than exported
 Value of imported goods more balanced/evenly spread than exported goods
 Mainly exports primary goods but mainly imports manufactured goods
 High value/low value goods = 0
 Only accept complete comparisons of exports with imports (and like with like)

(iv) Explain two problems for Pakistan's economy caused by the differences you have described in your answer to part (iii). [4]
 Narrow export base/overdependence on a few export items (so if low production e.g. poor harvests, no surplus/profit)
 Main export/import items subject to world price fluctuations/vagaries of commodity market (e.g. oil, cotton, rice) (so some years there may not be a profit/economy goes into debt/has not surplus)
 Exports are largely low value-added products which do not earn a great deal/great deal of foreign exchange [from small and cottage industries] (so other countries benefit more when add value)
 Exports are items subject to high competition in the world market (so may not find a market)
 Lack of quality control of export items (so may lose orders)
 Production of main agricultural export items is subject to variations in weather and effects of pests (e.g. poor cotton crop due to unfavourable weather/virus/lack of rainfall/frost etc.)
 Imports are mainly high value-added products and therefore expensive (such as manufactured goods/capital goods/luxury goods)
 Food (e.g. wheat) has to be imported that could be grown in Pakistan
 Importing consumer good which harms Pakistan industry (named consumer goods/industry)
 Value of imports are greater than the value of exports (causing negative balance of payments).
 Award second mark per line for explanation (parentheses show examples)
 Two problems explained @ 2 marks each

(c) (i) State one main trading partner with Pakistan for each of exports and imports. [2]
 Exports: USA/UAE/Afghanistan/China/UK/Germany/EU
 Imports: China/Saudi Arabia/UAE/Kuwait/USA/Japan/EU
 2 × 1 mark



- (d) 'There are more factors that hinder trade between Pakistan and other countries than factors that help trade.'

To what extent do you agree with this view? Give reasons and use examples you have studied to support your answer. [6]

Levels marked

Level 3 (5–6 marks) Developed points explaining both views (hinder and help). Evaluation giving clear support to one view (5) and with at least one reference to a piece of place-specific detail or an example (6).

Level 2 (3–4 marks) Developed point(s) explaining one view (3), explaining both views (4). No evaluation

Level 1 (1–2 marks) Simple point addressing one view (1), simple points addressing both views (2)

Indicative content (development of points/place-specific detail/examples in parentheses)

Hinder

Lack of security/internal civil and tribal unrest/terrorism

Political instability/inconsistent government policies

Debt/imbalance of trade (leads to need for loans/foreign economic assistance and possible trade embargo if default)

International tension (e.g. with India, historically since partition 1947 and periodically over Kashmir so no significant trade with India has developed).

Mountainous terrain to NW. (Passes to Afghanistan e.g. Khyber, Kurram, and Khojak subject to border tensions, landslides, and avalanches.)

Trade barriers/embargoes from industrialised countries (which express concerns about child labour/health and safety/hygiene/environmental standards such as excessive use of pesticides on cotton).

Membership of regional organisations (e.g. ECO/SAARC/WTO in 2004) (involves removing import tariffs causing inflow of cheap imports)

Devaluing Pakistan rupee (makes imports, which are more than exports, more expensive)

Help

Improvements to transport infrastructure, (e.g. Karakoram Highway/new road Quetta to Chaman, Afghanistan/upgrade to RCD Highway to open a route to Iran and Turkey)

Development of ports (particularly Karachi/Bin Qasim port for containers and bulk cargo/Gwadar port/Makran Coast)

Membership of regional organisations (e.g. ECO/SAARC/WTO in 2004) (in which member countries benefit from access to major world markets)

Tax incentives for exporters

Export Promotion Bureau/Trade Development Authority of Pakistan/Export Processing Zones

Devaluing Pakistan rupee (makes exports cheaper)

Question 4

J2015/P2/Q4/D

- (d) There are advantages and disadvantages to Pakistan of trading with different countries or groups of countries. Read the following two views:

1. Pakistan would benefit from stronger trade links with China.
2. There are more advantages to Pakistan in maintaining trade with EU (European Union) countries.



Which view do you agree with more? Give reasons and refer to places or examples you have studied to support your answer.

[6]

L3	5–6 marks	6 – <i>Evaluation between both developed points of view, with reference to appropriate example(s)</i> 5 – <i>Evaluation between both developed points of view</i>
L2	3–4 marks	4 – <i>Developed point(s) on both points of view</i> 3 – <i>Developed point(s) supporting one point of view</i>
L1	1–2 marks	2 – <i>Simple points addressing more than one point of view or statement</i> 1 – <i>Simple points addressing one point of view or statement</i> 0 – <i>No valid response</i>

Indicative content (development of points in parentheses)

China

EU has trade barriers (custom duties and import quotas/tariffs/embargoes) with countries outside the EU

EU may restrict trade (due to poor law and order situation/terrorism/environmental issues/child labour/political instability)

Cottage and small scale industry products may lack international quality standard acceptable to EU

Can avoid reliance/dependence on Western powers

Chinese imports are low-priced (and meet local demand)

China faster growing economy so Pakistan can earn more foreign exchange

Land link with China (Karakoram Highway/Khunjerab Pass)

EU

EU countries politically/economically stable (so fewer changes in market trends)

History of stable trade relations with European countries since independence

China likely to manufacture products that Pakistan exports (in greater quantities/at lower prices)

Cheap Chinese imports may threaten domestic industries

Accept converse arguments

Question 5

N2011/P2/Q3/E

- (e) **The countries of the European Union have a large demand for goods such as clothes and sports goods. Pakistan can produce these goods cheaply.**

Explain the advantages and disadvantages of developing a trade agreement with partners in the EU.

[4]

Advantages (2 marks)

More exports / can pay off debt / improved trade balance / more foreign exchange (max 1 boosts economy)

Cheaper imports

Better availability

Boosts industrialisation / more factories built / more investment in these industries



Fewer trade barriers / lower taxes
Stable market

Disadvantages (2 marks)

Can be stopped / sanctions
Conditions imposed / ban on child labour
Pakistan goods may not be up to standard
Pakistan production may not be reliable
Imports may compete with local production
May affect other agreements, e.g. Iran, China
Fluctuating currency rates

Question 6

N2010/P2/Q5/C

(c) (i) From the list below state **two imports** and **two exports**. [2]

COTTON	MACHINERY	WHEAT	IRON ORE	LEATHER
CRICKET BATS	SURGICAL EQUIPMENT		COMPUTERS	

2 correct imports = 1 mark 2 correct exports = 1 mark

Imports machinery, wheat, iron ore, computers
Exports cotton, leather, cricket bats, surgical equipment

(ii) The European Union (EU) is a major trading partner of Pakistan.

Name **two countries** in this trading community. [2]

Any 2 EU countries

(iii) Why it is important that Pakistan trades both imports and exports with the EU? [2]

To improve / maintain the balance of payments
To increase / maintain foreign currency
To make good relations / trade agreement

Question 7

J2010/P2/Q4/A

(a) Study Fig. 5, which shows the exports of Pakistan in 2007 by percentage.

(i) What percentage of the exports was cotton? [1]
60 (%)

(ii) Suggest reasons why cotton makes up a large percentage of Pakistan's exports. [3]
Produces a surplus of raw cotton / large production
Large international demand / Cannot be grown in other countries/Europe
Cheap labour/ competitive price
Can be a variety of products
Many textile mills / factories

(iii) From Fig. 5 state

A **one item that has increased in its percentage,**
rice [3]
B **two items that have decreased in their percentage.**
Leather, synthetic textiles, sports goods



Question 8

N2008/P2/Q5/B

(b) Study Fig. 6, a graph showing the value of sports goods exports.

- (i) **What was the value of sports goods exports in 2005?**
18,000 (million rupees) [1]
- (ii) **By how much did the value of sports goods exports increase from 1995 to 2005?**
10,000/8000 – 18000 (million rupees) [1]
- (iii) **Why is a large proportion of the production of this industry exported?**
to make capital/improve trade balance/lessen debt/raises GDP
to earn foreign exchange
demand from abroad
popularity of sports in the world
competitive price/good quality
good reputation of Pakistan
less need in Pakistan/greater need abroad [4]
- (iv) **How can Pakistan maintain and increase its exports of sports goods?**
improve quality/quality control
more Export Processing Zones/EPZ
more Dry Ports
modernisation/machines to replace hand work
training/skills/talents
innovation/new products
ban child labour
regular/reliable supply
more factories/government incentives
larger factories/economies of scale
better roads/airports/telecommunications/uses of telecommunication
advertising
do deals with companies, e.g. Adidas [6]

Question 9

N2007/P2/Q4/A

(a) Read the extract below and study Photograph C (Insert).

Quetta is an important and busy trading centre. One of its main trades is in textiles and tribal clothes. The centre of the city has seen many modern improvements to its buildings and communications.

- (i) **State three features that can be seen in Photograph C and agree with what is said in the extract.** [3]
People/more than 5
Many shops/commercial buildings
Textiles/clothes shops
Overhead wires/power/telephone lines
Modern/concrete buildings
Tarred road
Truck/4x4/car
Scooter
Telecom mast
- (ii) **Why is Quetta an important trading centre?** [3]
Focus of roads/well connected to rest of country
Main road through pass/RCD highway
Nomadic tribes
Near Afghan border/Afghanistan



Only large settlement in area
 Railway
 Airport
 Capital of Baluchistan
 Dry Port

Question 10**J2007/P2/Q5/A-B**

- (a) (i) **State the increase in value of imports from 2000 to 2005.**
560,000 – 580,000 (million rupees)
540,000 – 1,100,000 / 530,000 – 1,110,000 (million rupees) [1]
- (ii) **How has the value of exports changed compared to imports?**
Both have increased
Imports have increased more than exports/increased faster after 2003
Similar trends 2000 – 2003
Comparative figures (max 1) [2]
- (iii) **How will this affect the balance of trade?**
It has increased (negatively)
It has got worse
There is a bigger deficit [1]
- (b) **Study Fig. 7, which shows the types of goods exported from Pakistan in 1975 and 2000.**
- (i) **How have the proportions of primary and manufactured goods changed from 1975 to 2000?**
Primary goods are a lower proportion of exports/exports have decreased
Manufactured goods are higher proportion of exports/exports have increased [2]
- (ii) **How have these changes affected earnings from exports?**
Manufactured goods sell for higher prices
Earnings will increase
Manufactured goods are value-added [2]
- (iii) **Explain how cotton can be exported as a primary, a processed and a manufactured product.**

<i>Primary</i>	<i>raw cotton</i>
<i>Processed</i>	<i>yarn, thread, cloth</i>
<i>Manufactured</i>	<i>ready-made garments, cloth</i>

[3]

Question 11**N2005/P2/Q4/A-B****Study the World Map, Fig. 6 (Insert 2)**

- (a) **Choose two of the countries A – E. Using the lines on the map**

- (i) **Name the country**

- [A] USA/America
 [B] UK (accept England or British Isles)
 [C] Germany (not EU)
 [D] Saudi Arabia



[E] Japan

(ii) **State a product that the country imports from Pakistan**

[A] Carpets, rugs surgical, sports goods

[B] (Raw) cotton, goods to A

[C] Cotton cloth, goods to A

[D] Spices, rice, ready made garments/cotton/fish

[E] Fish and fish products/cotton

(2 + 2) [4]

(b) (i) **How can Pakistan increase foreign exchange earned by trading with a country or trading bloc such as SAARC or the EU?**

Value-added/processed goods

Good quality

Competitive prices

Reliable supply

Stable government

Good (tele)communications

Political influence/agreements

Better port facilities

[3]

(ii) **State another way other than trade, in which Pakistan can earn foreign exchange.**

Remittances (from relatives abroad)

Tourism

Invisible earnings

[1]

(iii) **Why does Pakistan need to increase foreign exchange?**

Negative balance of payments/trade

Reduce foreign debt

Investment in agriculture

Industrialisation

Named infrastructure improvements



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Better housing/ resettle squatters

Cost of foreign expertise

[3]

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